



University of Michigan Credit Union

IMPORTANT TERMS OF OUR HOME EQUITY LINE OF CREDIT

This disclosure contains important information about your Home Equity Line of Credit ("HELOC"). Please read this document carefully and keep a copy for your records. "we"/ "us"/ "our" means University of Michigan Credit Union, "you" and "your" means the recipient of this disclosure, "account" means "Equity loan".

1. **Availability of Terms:** All terms disclosed below are subject to change. If any terms change (other than annual percentage rate) and you decide as a result, to not enter into an agreement with us, you are entitled to a refund of any fees that you paid in connection with your application.
2. **Security Interest:** As security for repayment of your Account obligations, we will take a security interest in your home or your rental home (collateral). You could lose your home (or your rental home) if you do not meet the obligations in your agreement with us.
3. **Possible Actions:** We may take the following actions with respect to your Account under the circumstances listed below:
 - A. **Termination and Acceleration:** We may terminate your Account and require you to pay the entire outstanding balance immediately, and charge you certain fees if any of the following occur:
 - i. You engage in any fraud or material misrepresentation in connection with your Account. For example, if there are false statements or omissions on your application or financial statements;
 - ii. You do not meet the repayment terms of your line; or
 - iii. Your action or inaction adversely affects the collateral or our rights in the collateral. For example, if you transfer title to or sell the collateral, or fail to maintain insurance, pay taxes, prevent the foreclosure of any items, or prevent waste of the collateral.
 - B. **Suspension of Credit/Reduction of Credit Limit:** We may refuse to make additional advances on your line of credit or reduce your credit limit if any of the following occur:
 - i. Any of the following listed in 3.A. above;
 - ii. The value of your dwelling securing your Account declines significantly below its appraised value for purposes of your Account;
 - iii. We reasonably believe you will not be able to meet repayment requirements of your Account due to a material change in your financial circumstances;
 - iv. Government action prevents us from imposing the annual percentage rate provided for or impairs our security interest such that the value of the interest is less than 120 percent of the credit line;
 - v. A regulatory agency has notified us that continued advances would constitute an unsafe and unsound practice; or
 - vi. The maximum annual percentage rate is reached.
4. **Minimum Payment Requirements:**
 - A. **Variable Rate Line:** For the Equity line accounts, you may obtain credit advances for the initial Ten (10) years ("draw period"). Payments will be due on a monthly basis during the draw period. Your minimum monthly payment will be the greater of 0.75% of your outstanding loan balance at statement cutoff, interest owed or \$50.00. At the end of the 10 year draw period you will no longer be able to obtain credit advances. The remaining balance of the line at the end of the draw period will be converted into a 15 year adjustable rate where the payment is re-amortized to maturity. A minimum monthly payment of \$100.00 applies. All payments are due the 27th of each month and will be applied as follows: Late Charges, interest due then principal. If you only pay the minimum payment, you may not pay off all of the outstanding balance by the end of the Repayment Period, in which case you will have to pay off the entire unpaid balance on the twenty-fifth anniversary of the opening of your line of credit in a single lump sum payment.
5. **Minimum Payment Example:**
 - A. **Primary Variable Rate Line:** If you took a single \$10,000 advance at an ANNUAL PERCENTAGE RATE of 4.25% and made only the minimum monthly payments, it would take one hundred twenty-four (124) months to pay off your Account. During that period, you would make one hundred twenty-three (123) monthly payments of \$100.00 and a final payment of approximately \$66.75.



6. Fees and Charges:

- A. All closing fees and charges are waived.
- B. There is no annual fee or pre-payment penalty.
- C. If the minimum payment is not made by the 10th of the month following the payment due date, a late charge of \$30 will be assessed.
- D. Each loan check on which you stop payment is subject to a \$30.00 fee, which you agree to pay. All stop payment requests are subject to the Credit Union's current policy related to stop payments, please refer to your Membership and Account Agreement.
- E. The Credit Union will not return cancelled checks but will, upon specific request, provide you with photocopies of those checks. You agree to pay a \$2.00 fee for each photocopy, unless the request is related to an alleged billing error, and our investigation shows that the alleged error occurred.
- F. The first HELOC Credit Card is provided at no charge. You agree to pay a \$5.00 fee for each replacement card. For additional fees related to your HELOC Credit Card please refer to the current fee schedule available at www.UMCU.org.

7. Insurance: You must carry insurance on the property that secures this Account. Fire and Extended Coverage Insurance is required, with loss payable to the University of Michigan Credit Union from any insurance company of your choice which is acceptable to the Lender. Under some circumstances, if your property is located in a flood hazard zone and you live in a participating community, you may be required to obtain flood insurance to cover the property.

8. Loan Amount Requirements: In general, the minimum loan amount is \$10,000.00 and the maximum is \$750,000.00. There is a \$50,000 maximum loan amount on income-producing (that is, non-owner-occupied) properties.

9. Property Types: Owner-occupied homes or condominiums or non-owner-occupied (vacation, rental, or investment properties) in Michigan are eligible as security.

10. Percentage of Property Value Allowed: Property may be financed up to 95% of the value if the property is owner-occupied; and up to 70% if it is non-owner-occupied, subject to credit qualification.

11. Tax Deductibility: We suggest borrowers consult their tax advisors regarding tax deductibility of interest and charges under their Account.

12. ANNUAL PERCENTAGE RATE:

- A. Primary Variable Rate Line: Your account has a variable rate feature, and the annual percentage rate (corresponding to the periodic rate) and the number of payments may change as a result. The annual percentage rate includes interest and no other costs. Any increase or decrease in the ANNUAL PERCENTAGE RATE will affect the number of payments you make.

13. Variable Rate Calculation: The annual percentage rate is based on the value of an Index. The Index is the Wall Street Journal published Prime Rate (if published in a range, the highest rate will be used). Information on this Index is published in the Wall Street Journal. To determine the annual percentage rate that will apply to your Account, we add a Margin to the value of the Index. The amount of the Margin for your Account is based on your credit worthiness. Ask us for the current Index value, Margins, and annual percentage rate. After you open a variable rate line of credit, rate information will be provided on periodic statements sent to you. Changes in the Index will cause changes to the annual percentage rate effective the first date of each calendar quarter following an index change.

14. Variable Rate Changes: The annual percentage rate can change quarterly. The change will take effect on the first day of each calendar quarter. The maximum annual interest rate adjustment is 5.00% with a minimum ANNUAL PERCENTAGE RATE of **3.50%** and a maximum ANNUAL PERCENTAGE RATE of **25.00%**. Your actual rate is determined by your credit profile and loan to value of the property.



15. Maximum Variable Rate and Payment Examples: If you had an outstanding balance of \$10,000 at the beginning of your draw period, the minimum monthly payment at the maximum ANNUAL PERCENTAGE RATE of **25.00%** would be \$205.48. If you had an outstanding balance of \$10,000 at the beginning of the repayment period, the minimum monthly payment at the maximum ANNUAL PERCENTAGE RATE of **25.00%** would be \$227.69. The maximum interest rate can be reached the first time your interest rate changes, unless your initial rate is equal to the maximum, in which case it would be reached immediately.

16. Historical Example: The following table shows how the annual percentage rate and minimum monthly payments for a single \$10,000.00 credit advance would have changed on a Home Equity Line of Credit based on Index changes over the last 15 years. The Index values are the Wall Street Journal published prime rate from July 1st of each year. The table assumes no additional credit advances were taken, the minimum payment was made each month, and the rate remained constant during each year. The table does not necessarily indicate how the index or your payments would change in the future.

HISTORICAL PAYMENT EXAMPLE

Year	Index	Margin*	Annual Percentage Rate	Monthly Minimum Payment
Draw Period				
2002	4.75	0.75	5.50	\$100.00
2003	4.00	0.75	4.75	\$100.00
2004	4.25	0.75	5.00	\$100.00
2005	6.25	0.75	7.00	\$100.00
2006	8.25	0.75	9.00	\$100.00
2007	8.25	0.75	9.00	\$100.00
2008	5.00	0.75	5.75	\$100.00
2009	3.25	0.75	4.00	\$100.00
2010	3.25	0.75	4.00	\$100.00
2011	3.25	0.75	4.00	\$100.00
Repayment Period				
2012	3.25	0.75	4.00	\$100.00
2013	3.25	0.75	4.00	\$100.00
2014	3.25	0.75	4.00	\$0.00
2015	3.25	0.75	4.00	\$0.00
2016	3.5	0.75	4.25	\$0.00

* This is a margin we have used recently for accounts with excellent credit and a combined loan-to-value below 80%. Your margin may be different. The minimum payment reflects an account minimum monthly payment restriction of \$100.00.

Rates are based on credit history and credit qualifications. This disclosure statement and the handbook entitled "What you should know about home equity lines of credit" are provided to you as required by law.



Home Equity Line of Credit*

Property Types	Owner-Occupied homes or condominiums, or non-owner occupied (vacation, rental, or investment properties) in Michigan
Percentage of property value allowed	Up to 95% Loan to Value for Owner- Occupied Properties Up to 70% Loan to Value for Non-owner Properties
Interest Rate	Adjustable rate. Changes quarterly. See current rate sheet.
Determination of Annual Percentage Rate	The adjustable annual percentage rate is equal to the Wall Street Journal Published Prime (plus a margin), in effect on the last business day prior to the beginning of each calendar quarter ("index"), rounded to the nearest .125%. Changes in the Index will cause changes in the APR as of the first date of each calendar quarter following an index change. The APR will never be less than 3.5% or more than 25.00% per annum. The annual percentage rate will never increase or decrease more than 5.0% during any full year starting from the date your Plan is opened.
Tax Deductible Interest	We suggest members consult their tax advisors for any tax advantages.
Terms	25 years with advances allowed for the first 10 years followed by a 15 year repayment period.
Minimum - maximum loan amount allowed	\$10,000 - \$750,000**
Payment Plan	During the initial 10 year draw period the minimum monthly payment is the greater of \$50 or .75% of the outstanding balance. Balance at the end of the draw period is amortized over 15 years with a fixed monthly payment of no less than \$100. A single lump sum payment may be required to pay off the balance on the 25th anniversary of the opening of the loan.
Funds Disbursement	Borrower may access funds on the fourth business day after their loan closing date. A loan advance may then be completed by writing an equity check, by using a VISA card, by visiting any branch or online through MemberNet
Pre-Payment Penalty	None
Closing Costs & Fees	None
Late Charge	If more than 10 days late, a late charge may be assessed. The late charge will be \$30.00 for any one late payment.
When finance charges begin to accrue	If the entire statement balance is not paid within 27 days of the statement date, then finance charges will accrue on each purchase separately from the date it is posted to the account. Cash advances are always subject to Finance Charges from the date they are posted to the account.
Balance on which finance charge may be imposed	Finance charge will be assessed on the average daily unpaid loan balance for every day the balance is outstanding during the billing cycle.
Method of determining the finance charge	Finance charges will not accrue on your account purchase balance if you pay the balance in full every month within 27 days of your statement closing date. Otherwise, finance charge is determined by multiplying the applicable monthly periodic rate by the average balance (your daily balance divided by the number of days in the billing cycle) of your account. The statement cycle is the period of time that expires between account statements.

* All home lending products are subject to credit and property approval. Rates, program terms and conditions are subject to change without notice. Property insurance is required. Not valid with any other offer. APR=Annual Percentage Rate. Other restrictions and limitations may apply.

** \$1000 minimum loan amount for home improvements; \$49,900 maximum loan amount on income producing properties.